

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Twin County Airport	County Menominee
Audit Date 9/30/05	Opinion Date 1/13/06	Date Accountant Report Submitted to State: 3/24/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 901 Ludington Street	City Escanaba	State MI	ZIP 49829
Accountant Signature <i>Anderson, Tackman & Company P.C.</i>		Date 3/24/06	

TWIN COUNTY AIRPORT COMMISSION

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2005

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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INDEPENDENT AUDITOR'S REPORT

Members of the Twin County Airport Commission
Twin County Airport
Menominee, Michigan

We have audited the accompanying financial statements of the business-type activities, major fund information of the Twin County Airport Commission, as of and for the year ended September 30, 2005, which collectively comprise the Airport's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Twin County Airport Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities, and major fund information of the Twin County Airport Commission, as of September 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Twin County Airport Commission
Twin County Airport

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Twin County Airport Commission's basic financial statements. The schedules listed as supplementary are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Certified Public Accountants

January 13, 2006

TWIN COUNTY AIRPORT COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

The Twin County Airport Commission's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the Airport's financial activity; (c) identify changes in the Airport's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

Reporting the Airport Commission as a Whole

The statement of net assets and the statement of activities report information about the Airport as a whole and about its activities in a way that helps answer the question of whether the Airport as a whole is better off or worse off as of a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method, used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Airport's net assets and the changes in them. The reader can think of the Airport's net assets (the difference between assets and liabilities) as one way to measure the Airport's financial health or financial position. Over time, increases or decreases in the Airport's net assets are one indicator of whether its financial health is improving or deteriorating.

Reporting the Airport's Major Fund

Our analysis of the Airport's major fund begins on page 7. The Airport has only one fund, the general operations fund, in which all of the activities are accounted. The general operations fund is an enterprise fund type.

The Airport as a Whole

The Airport's net assets decreased approximately 3% from \$4.7 million to \$4.51 million for the year ended September 30, 2005. The net assets and change in net assets are summarized below.

Operating revenues were \$89,834 in 2005 compared with \$70,718 in 2004, an increase of \$19,116 or 27%, due mainly to increase in fuel sales. Gross profit from fuel sales increased \$14,400 or 43% between 2005 and 2004. Reasons for the increase in fuel sales is directly the result of increased fuel usage in 2005. The cost of 100LL fuel at year-end of 2005 was \$2.96 per gallon compared with \$2.11 at year-end of 2004, an increase of 40%. The cost of Jet fuel at year-end of 2005 was \$2.60 per gallon compared with \$1.47 at year-end 2004, an increase of 77%. The increasing fuel prices also resulted in increased gross fuel sales during 2005 compared with 2004.

Management's Discussion and Analysis (continued)

Non-operating revenues (net of non-operating expenses) were \$560,455 in 2005 compared with \$320,442 in 2004, an increase of \$240,013 or 75%, due to an increase in state and federal capital grant revenue in the amount of \$394,473 compared to \$174,322 in 2004, an increase of \$220,151 or 126%.

Operating expenses were \$471,166 during the fiscal year 2005 compared with \$303,906 in 2004, an increase of \$169,942 or 56%. The Airport experienced operating expenses comparable with 2004, with the exception to depreciation expense, where the Airport experienced an increase of \$178,699 or 282% in depreciation expense compared with 2004. Prior year depreciation reported did not reflect the depreciation expense relating to the prospective reporting of infrastructure assets during the prior year. A prior period adjustment has been made to record this accumulated depreciation in 2005, in the amount of \$361,391. If this depreciation expense had been recorded in 2004, operating expense would have declined by \$191,449 or 29%, due to some infrastructure assets becoming fully depreciated in 2004 and 2005.

Net assets as of the year ended September 30, 2005 and 2004 are as follows:

	<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 104,511	\$ 81,573
Capital Assets (net of depreciation)	<u>4,451,051</u>	<u>4,644,259</u>
Total Assets	<u>\$ 4,555,562</u>	<u>\$ 4,725,832</u>
Current Liabilities	\$ 27,616	\$ 13,200
Long-term Liabilities	<u>13,124</u>	<u>15,542</u>
Total Liabilities	<u>\$ 40,740</u>	<u>\$ 20,742</u>
Net Assets:		
Invested in Capital Assets	\$ 4,451,051	\$ 4,644,259
Unrestricted	<u>63,771</u>	<u>52,831</u>
Total Net Assets	<u>\$ 4,514,822</u>	<u>\$ 4,697,090</u>

A summary of changes in net assets for the year ended September 30, 2005 and 2004 are as follows:

	<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 89,834	\$ 70,718
Operating expenses	<u>471,166</u>	<u>303,906</u>
Operating Loss	(381,332)	(233,188)
Non-operating revenues	560,455	320,996
Non-operating expenses	<u>-</u>	<u>(554)</u>
Increase in Net Assets	<u>\$ 179,123</u>	<u>\$ 87,254</u>

Management's Discussion and Analysis (continued)

Budgetary Highlights

Prior to the beginning of any year, the Airport's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Airport Commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes expenditures throughout the year.

Actual revenue was lower than originally budgeted by the amount of \$5,366 as a result of gross profit on fuel sales being less than expected.

Actual expenses were higher than originally budgeted by the amount of \$233,648, due to the Airport not budgeting for depreciation expense during the fiscal year. Actual depreciation during fiscal year 2005 amounted to \$241,984.

Capital Asset and Debt Administration

Capital Assets - As of September 30, 2005, the Airport has \$11,219,487 invested in capital assets as follows:

Capital Assets Not Being Depreciated:	
Land	\$ 2,678,515
Other Capital Assets:	
Land improvements - infrastructure	7,618,507
Buildings	395,698
Equipment	478,208
Office equipment	6,010
Vehicles	<u>42,549</u>
Total Capital Assets at Historic Cost	<u>11,219,487</u>
Total Accumulated Depreciation	<u>(6,768,436)</u>
Total Net Capital Assets	<u>\$ 4,451,051</u>

Debt - The Airport has long-term liabilities in the amount of \$15,135, which represents the non-current portion of compensated absences.

Economic Factors and Next Year's Budget

The Airport expects economic factors in 2006 to be comparable with those experienced in 2005. In addition, the Airport is expecting federal and state funding for a fence replacement project estimated at a total cost of \$395,278. The expected funding of federal funds is \$316,222 with state funds of \$69,174, and local funds amounting to \$4,941 for each county.

Contacting the Airport Commission's Financial Management

This financial report is designed to provide the public, citizens and other interested parties, a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Twin County Airport Commission's administrative offices at 2801 North 22nd Street, Menominee, Michigan 49858.

TWIN COUNTY AIRPORT COMMISSION

STATEMENT OF NET ASSETS

September 30, 2005

ASSETS

	<u>2005</u>
CURRENT ASSETS:	
Cash and equivalents	\$ 52,453
Accounts receivable	19,325
Inventory	25,289
Prepaid expenses	<u>7,444</u>
TOTAL CURRENT ASSETS	<u>104,511</u>
CAPITAL ASSETS	11,219,487
Less accumulated depreciation	<u>(6,768,436)</u>
NET CAPITAL ASSETS	<u>4,451,051</u>
TOTAL ASSETS	<u>\$ 4,555,562</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 19,842
Accrued payroll and benefits	1,839
Accrued sales tax	1,561
Compensated absences	<u>4,374</u>
TOTAL CURRENT LIABILITIES	<u>27,616</u>
NON-CURRENT LIABILITIES:	
Compensated absences	<u>13,124</u>
TOTAL NON-CURRENT LIABILITIES	<u>13,124</u>
TOTAL LIABILITIES	<u>40,740</u>
NET ASSETS:	
Invested in capital assets	4,451,051
Unrestricted	<u>63,771</u>
TOTAL NET ASSETS	<u>4,514,822</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,555,562</u>

See accompanying notes to financial statements.

TWIN COUNTY AIRPORT COMMISSION

STATEMENT OF ACTIVITIES

For the year ended September 30, 2005

	<u>2005</u>
OPERATING REVENUES:	
Fuel:	
Sales	\$ 190,640
Cost of sales	<u>(142,865)</u>
GROSS PROFIT	47,775
Rental income	30,289
Landing fees	2,471
Service/handling fees	3,075
Consumables (oil, etc.)	3,695
Other	<u>2,529</u>
TOTAL OPERATING REVENUES	<u>89,834</u>
OPERATING EXPENSES:	
Salaries and wages	111,527
Social security	8,749
Health insurance	37,337
Office supplies	1,832
Equipment fuel	5,464
Professional services	6,398
Dues and licenses	385
Telephone	2,025
Travel	3,958
Printing and publishing	950
Insurance	21,123
Utilities	17,193
Maintenance - equipment	2,328
Maintenance - building and grounds	8,027
Marketing	1,380
Depreciation	241,984
Office expense	<u>506</u>
TOTAL OPERATING EXPENSES	<u>471,166</u>
OPERATING INCOME (LOSS)	<u>(381,332)</u>
NON-OPERATING REVENUES (EXPENSES):	
Capital contributions	394,473
Appropriations:	
Marinette County	81,952
Menominee County	81,952
Interest income	1,978
Gain on disposal of fixed assets	<u>100</u>
TOTAL NON-OPERATING REVENUES	<u>560,455</u>
NET INCOME (LOSS)	<u>179,123</u>
Net assets, beginning of year, as previously reported	4,697,090
Prior period adjustment (see note F)	<u>(361,391)</u>
Net assets, beginning of year, as adjusted	<u>4,335,699</u>
NET ASSETS, END OF YEAR	<u>\$4,514,822</u>

See accompanying notes to financial statements.

TWIN COUNTY AIRPORT COMMISSION

STATEMENT OF CASH FLOWS

For the year ended September 30, 2005

	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 203,783
Cash payments to employees for services	(159,763)
Cash payments to suppliers for goods and services	<u>(198,986)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(154,966)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Appropriations	<u>163,904</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital grants received	394,473
Payments for capital acquisitions	(410,167)
Proceeds from sale of capital assets	<u>100</u>
NET CASH (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(15,594)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Receipts of interest	<u>1,978</u>
NET (DECREASE) IN CASH AND EQUIVALENTS	(4,678)
CASH AND EQUIVALENTS, beginning of year	<u>57,131</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 52,453</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	(381,332)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	241,984
Changes in assets and liabilities:	
(Increase) decrease in receivables	(14,063)
(Increase) decrease in inventory	(14,853)
(Increase) decrease in prepaid expenses	1,300
Increase (decrease) in accounts payable	14,148
Increase (decrease) in accrued payroll and benefits	221
Increase (decrease) in other accrued liabilities	<u>(2,371)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (154,966)</u>

See accompanying notes to financial statements.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Menominee-Marinette Twin County Airport (the "Airport") is a joint venture formed on September 15, 1975 by written agreement between the County of Marinette, Wisconsin and the County of Menominee, Michigan. The agreement specifies that the Airport will be managed by a Twin County Airport Commission composed of six members with three appointed by each of the respective County Boards. The joint venture was formed to operate the airport formerly known as the "Menominee County Airport." The following is a summary of the more significant policies:

(1) Fund Accounting - The Airport operates as an Enterprise Fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Airport applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

(2) Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. When both restricted and unrestricted resources are available for use, it is the Airport Commission's policy to use restricted first, then unrestricted resources as they are needed.

(3) Cash and Equivalents - Cash and equivalents include change funds, un-deposited funds, and amounts held in demand accounts by the Airport and by the Treasurer of Menominee County.

(4) Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Airport has not recorded an allowance for uncollectibles as the Airport does not anticipate any material uncollectible accounts.

(5) Inventory - Inventory consists of aircraft fuel held for resale. It is valued at cost using the first-in, first-out method.

(6) Prepaid Expenses - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) Capital Assets - For financial reporting purposes the Airport, an enterprise fund, capitalizes fixed asset acquisition and construction costs and classifies those costs as "capital assets" on the Statement of Net Assets. These capitalized costs are then recorded as expenses of the fund through depreciation over the estimated useful lives of the particular assets, primarily on the straight-line basis.

Marinette County and Menominee County each have an undivided one-half interest in all property and equipment acquired since formation of the joint venture. Infrastructure and other airport related assets that are the property of the counties are included in the basic financial statements of the Airport as required within the implementation of GASB 34, and has retrospectively reported the infrastructure assets in the statement of net assets

(8) Compensated Absences - Airport policy allows employees to accumulate unused sick and vacation hours. Employee shall receive payment for 50% of all accrued sick leave earned, to a maximum of 45 days sick leave upon leaving employment of the Airport in good standing.

(9) Income Taxes - The Airport is a governmental entity and is exempt from federal and state income taxes.

(10) Charges for Services - The amounts charged for services, rental and sales of aircraft fuel are set by the Twin County Airport Commission.

(11) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the Statement of Net Assets is presented below:

Financial statement presentation:	
Cash and equivalents:	
Unrestricted	<u>\$ 52,453</u>
Composition of balances:	
Imprest Cash	\$ 121
Deposits:	
Checking Accounts	<u>52,332</u>
TOTAL	<u>\$ 52,453</u>

Cash and cash equivalents consist solely of checking and saving account deposits and petty cash.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE B - CASH AND EQUIVALENTS (continued)

Michigan statutes authorize the Airport to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The Airport carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. As of September 30, 2005, the Airport did not hold any commercial paper.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure the Airport's deposits may not be returned. At September 30, 2005, the Airport held \$50,752 in a checking account. Of this amount, \$0 was uninsured and uncollateralized.

Concentration of Credit Risk. The Airport has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The Airport has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Airport are in accordance with statutory authority.

NOTE C - CAPITAL ASSETS

Following are the details of recorded capital assets together with the related accumulated depreciation as of September 30, 2005:

	<u>9/30/04</u>	<u>Additions/ Adjustments</u>	<u>Deletions</u>	<u>9/30/05</u>
Capital Assets Not Being Depreciated:				
Land	\$ 2,678,515	\$ -	\$ -	\$ 2,678,515
Other Capital Assets:				
Land improvements and infrastructure	7,208,340	410,167	-	7,618,507
Buildings	395,698	-	-	395,698
Equipment	478,208	-	-	478,208
Office equipment	6,010	-	-	6,010
Vehicles	42,549	-	-	42,549
	10,809,320	410,167	-	11,219,487
Less accumulated depreciation	<u>(6,165,061)</u>	<u>(603,375)</u>	-	<u>(6,768,436)</u>
UNDEPRECIATED COST	<u>\$ 4,644,259</u>	<u>\$ (193,208)</u>	<u>\$ -</u>	<u>\$ 4,451,051</u>

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE C - CAPITAL ASSETS (continued)

Total capital asset additions for 2005 were \$410,167. Federal and state grants paid for \$394,473 of current year additions. There were no disposals of capital assets during 2005.

Useful lives of capital assets are as follows:

Land improvements & infrastructure	10-20 years
Buildings	10-25 years
Equipment	5-25 years
Office equipment	5- 7 years
Vehicles	5-10 years

Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Depreciation expense was \$241,984 for the fiscal year.

NOTE D - PENSION PLAN

The employees of the Menominee-Marinette Twin County Airport are treated as employees of Menominee County. All full-time Airport employees are covered by a municipal employee retirement system in which Menominee County participates. Pension plan contributions for 2005 were \$0 as a result of the plan being over funded by \$168,714 as of the valuation date of December 31, 2004. Total wages for 2005 were \$114,209.

The contribution rate on participating wages is determined annually by independent consulting actuaries in accordance with Michigan Statutes. Other information on retirement commitments appears in Menominee County's annual financial report.

NOTE E - COMPENSATED ABSENCES

Changes in accumulated compensated absences is as follows:

	<u>9/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/05</u>
Vacation	\$ 4,257	\$ 1,019	\$ -	\$ 5,276
Sick	<u>16,466</u>	<u>-</u>	<u>4,244</u>	<u>12,222</u>
TOTAL	<u>\$20,723</u>	<u>\$ 1,019</u>	<u>\$ 4,244</u>	<u>\$17,498</u>

NOTE F - PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$361,391 was made to the beginning balance of net assets in order to report more accurately the accumulated depreciation of capital assets acquired in prior years.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE G - COMMITMENTS AND CONTINGENCIES

The Airport has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Airport. In the opinion of management, any such disallowed claims may have a material effect on any of the financial statements included here-in or on the overall financial position of the Airport at September 30, 2005, however, management is unaware of any such claims.

NOTE H - RISK MANAGEMENT

The Airport is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Airport has purchased commercial insurance relating to medical benefit claims, general liability, auto, business package, pollution/storage tank and workers compensation.

At September 30, 2005, the County had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage from the prior year.

SUPPLEMENTAL INFORMATION

TWIN COUNTY AIRPORT COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
NET ASSETS - BUDGET AND ACTUAL**

For the year ended September 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES:				
Fuel:				
Sales	\$ 135,000	\$ 135,000	\$ 190,640	\$ 55,640
Cost of sales	<u>(76,000)</u>	<u>(75,000)</u>	<u>(142,865)</u>	<u>(67,865)</u>
GROSS PROFIT	59,000	60,000	47,775	(12,225)
Rental income	26,000	26,000	30,289	4,289
Landing fees	2,500	2,500	2,471	(29)
Service/handling fees	2,500	2,500	3,075	575
Consumables (oil, etc.)	1,200	1,200	3,695	2,495
Other	<u>4,000</u>	<u>6,399</u>	<u>2,529</u>	<u>(3,870)</u>
TOTAL OPERATING REVENUES	<u>95,200</u>	<u>98,599</u>	<u>89,834</u>	<u>(8,765)</u>
OPERATING EXPENSES:				
Salaries and wages	110,000	110,000	111,527	(1,527)
Social security	8,000	8,000	8,749	(749)
Health insurance	36,000	36,000	37,337	(1,337)
Office supplies	1,200	1,200	1,832	(632)
Equipment fuel	4,000	4,000	5,464	(1,464)
Professional services	4,000	4,000	6,398	(2,398)
Dues and licenses	900	500	385	115
Telephone	2,000	2,000	2,025	(25)
Travel	5,500	5,500	3,958	1,542
Printing and publishing	-	-	950	(950)
Insurance	24,000	24,000	21,123	2,877
Utilities	18,000	18,000	17,193	807
Maintenance - equipment	3,900	3,900	2,328	1,572
Maintenance - building and grounds	20,000	20,000	8,027	11,973
Marketing	2,000	2,000	1,380	620
Depreciation	-	-	241,984	(241,984)
Office expense	<u>700</u>	<u>700</u>	<u>506</u>	<u>194</u>
TOTAL OPERATING EXPENSES	<u>240,200</u>	<u>239,800</u>	<u>471,166</u>	<u>(231,366)</u>
OPERATING INCOME (LOSS)	<u>(145,000)</u>	<u>(141,201)</u>	<u>(381,332)</u>	<u>(240,131)</u>
NON-OPERATING REVENUES (EXPENSES):				
Capital contributions	-	-	394,473	394,473
Appropriations:				
Marinette County	84,050	84,050	81,952	(2,098)
Menominee County	84,050	84,050	81,952	(2,098)
Interest income	-	-	1,978	1,978
Gain on sale of fixed assets	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>168,100</u>	<u>168,100</u>	<u>560,455</u>	<u>392,355</u>
NEW INCOME (LOSS)	<u>\$ 23,100</u>	<u>\$ 26,899</u>	<u>179,123</u>	<u>\$ 152,224</u>
Net assets, beginning of year, as adjusted (see Note F)			<u>4,335,699</u>	
NET ASSETS, END OF YEAR			<u>\$4,514,822</u>	

See accompanying notes to financial statements.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT TO MANAGEMENT

Members of the Twin County Airport Commission
Twin County Airport
Menominee, MI 49858

Audit Committee Communications

We have audited the basic financial statements of the Twin County Airport Commission for the year ended September 30, 2005, and have issued our reports thereon dated January 13, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Twin County Airport Commission. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Twin County Airport Commission are described in Note A of the financial statements.

Members of the Twin County Airport Commission
Twin County Airport

Significant Accounting Policies (continued)

No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the Twin County Airport Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimate would be the lives of the fixed assets. This estimate has been made using management's experience with past useful lives of similar assets.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Twin County Airport Commission or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Members of the Twin County Airport Commission
Twin County Airport

Issues Discussed Prior to Retention of Independent Auditors

There were no discussions with management regarding any issues that were a condition to our retention as independent auditors.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

In planning and performing our audit of the basic financial statements of the Twin County Airport Commission, for the year ended September 30, 2004, we considered the Airport's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of no material matters which we feel need to be addressed relating to opportunities for strengthening internal controls and operating efficiency.

This information is intended solely for the use of Twin County Airport and management of the Twin County Airport and is not intended to be and should not be used by anyone other than these specified parties.

Andersen, Tackman & Company P.L.C.

Certified Public Accountants

January 13, 2006